

Message Text

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C O N F I D E N T I A L KUALA LUMPUR 1982

E.O. 11652: GDS-1

SUBJECT: EINV, MY

SUBJECT: CHINESE CHAMBER CRITICISES INVESTMENT CLIMATE

REF: KUALA LUMPUR 1940

1. SUMMARY: IN A PAPER PREPARED FOR PRESENTATION AT A PLANNED APRIL SEMINAR ON THE CHINESE ECONOMIC ROLE SPONSORED BY THE CHINESE CHAMBER OF COMMERCE, A PANEL ON INDUSTRY HAS PREPARED A CONFIDENTIAL REPORT SEVERELY CRITICIZING THE GOM'S NEW ECONOMIC POLICY. THE REPORT HAS BEEN LEAKED TO THE "ASIAN WALL STREET JOURNAL" BUT HAS NOT YET APPEARED IN ANY OF THE PAPERS IN MALAYSIA. IT IS ESSENTIALLY A CATALOGING OF CHINESE ECONOMIC GRIEVANCES AND SINGLES OUT PROBLEMS IN THE AREAS OF LICENSING, EQUITY HOLDINGS, EMPLOYMENT, EDUCATION AND TRAINING, LAND POLICY, AND BUREAUCRATIC RED TAPE. THE REPORT CONCLUDES BY CALLING FOR THE REPEAL OF THE INDUSTRIAL COORDINATION ACT. THE REPORT HAS COME OUT AT A BAD TIME FROM THE GOM'S VIEWPOINT, EVEN THOUGH LITTLE THAT IS CONTAINED THEREIN IS ACTUALLY NEW. IN THE FINAL ANALYSIS, THE CHINESE WILL LEARN TO LIVE WITH THE GOM'S POLICIES. END SUMMARY.

2. IN PREPARATION FOR AN APRIL SEMINAR IT IS SPONSORING ON THE CHINESE ECONOMIC ROLE IN MALAYSIA, THE ASSOCIATED CHINESE CHAMBER CONFIDENTIAL

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OF COMMERCE HAS BEEN HOLDING PANEL MEETINGS TO PREPARE PAPERS FOR DISCUSSION. ONE OF THESE PAPERS, PREPARED BY THE INDUSTRY PANEL IN JANUARY, HAS BEEN LEAKED TO BARRY WAIN OF THE "ASIAN WALL STREET JOURNAL" WHO REPORTED IT IN THE MARCH 1 EDITION. WE HAVE OBTAINED A COPY OF THIS INTERESTING REPORT AND ARE POUCHING IT TO THE DEPARTMENT AND SINGAPORE. IT REPRESENTS A BROAD ATTACK ON THE GOM'S NEW ECONOMIC POLICY (NEP) AND THE INDUSTRIAL COORDINA-

TION ACT (ICA). THE REPORT WILL NO DOUBT STIR UP CONSIDERABLE CONTROVERSY AND IS A USEFUL COMPENDIUM OF CHINESE COMPLAINTS ABOUT THE GOM.

3. THE REPORT BEGINS WITH AN ATTACK ON THE ICA LICENSING SYSTEM AND CASTS DOUBT ON THE REPEATED ASSURANCES GIVEN BY VARIOUS GOM OFFICIALS AS TO THE FLEXIBILITY THAT WILL BE DISPLAYED IN THE ISSUANCE OF LICENCES. WITH RESPECT TO EMPLOYMENT POLICIES, THE REPORT STATES THAT UNEMPLOYMENT ALREADY EXISTS IN MALAYSIA AND THAT THE POLICIES FOR PREFERENTIAL HIRING OF BUMIPUTRAS ARE ESPECIALLY DISCRIMINATORY AGAINST THE CHINESE SINCE THEY ARE VIRTUALLY BANNED FROM EMPLOYMENT IN THE PUBLIC SECTOR. (COMMENT) THIS HELPS EXPLAIN WHY EVEN THE SOCIALIST DEMOCRATIC ACTION PARTY (DAP) IS OPPOSED TO THE ICA; IT COULD DENY EMPLOYMENT OPPORTUNITIES TO YOUNG CHINESE SCHOOL LEAVERS IF FAMILY OWNED BUSINESSES HAVE TO HIRE A QUOTE OF MALAYS.)

IT CRITICIZES THE GOM'S LAND POLICIES WHICH REQUIRE THE EMPLOYMENT OF 25-50 PERCENT BUMIPUTRA WORK FORCE IN EXCHANGE FOR LAND TITLE. THE REPORT IS ESPECIALLY HARSH ON THE DISCRIMINATORY NATURE OF THE GOM'S EDUCATION POLICY WHICH IS SKEWED HEAVILY IN FAVOR OF BUMIPUTRAS. THE REPORT ALLEGES THAT THE END RESULT OF THESE POLICIES WILL BE A DEARTH OF CHINESE TECHNICIANS AT THE SUPERVISORY AND MANAGEMENT LEVEL. NOT SURPRISINGLY, THE CHINESE ARE PARTICULARLY CONCERNED ABOUT HAVING TO RELINQUISH EQUITY TO BUMIPUTRA PARTNERS WHO HAVE NOT EARNED A SHARE OF THE BUSINESS AND WHO DO NOT SHARE LINGUISTIC AND CLAN TIES. THE REPORT ALSO

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BLASTS GOM "RED TAPE" IN THE IMPLEMENTATION OF POLICIES. THE REPORT CONCLUDES BY CALLING FOR THE REPEAL OF THE ICA AND RECOMMENDING THAT CHINESE BE GIVEN EQUAL OPPORTUNITY IN EDUCATION, GOVERNMENT JOBS AND LAND TITLE.

4. COMMENT: THE REVELATION OF THIS PAPER, WHETHER OR NOT IT WAS INTENTIONALLY LEADED NOW TO EMBARRASS THE GOVERNMENT, SEEMS ILL-TIMED. ITS PUBLICATION CAME AT VIRTUALLY THE SAME TIME THE DEPUTY MINISTER OF

TRADE AND INDUSTRY WAS MAKING A MAJOR POLICY SPEECH DESIGNED TO REASSURE INVESTORS--ESPECIALLY THE CHINESE. (REFTEL) INTERESTINGLY, SOONG SIEW HOONG, THE REPORT'S AUTHOR, (WHO IS ALSO SUSPECTED BY CHAMBER

OFFICIALS AS THE SOURCE OF THE LEAK) WAS QUOTED IN THE "BUSINESS TIMES" AS STATING THAT THE DEPUTY MINISTER'S SPEECH "APPEARS TO REPRESENT A SOFTENING OF THE GOVERNMENT'S ATTITUDE IN THE IMPLEMENTATION OF NEP". REPORTEDLY, THIS STATEMENT HAS INFURIATED CHINESE BUSINESS LEADERS WHOSE VIEWS ARE MUCH CLOSER TO THOSE EXPRESSED IN THE REPORT THAN THOSE PUT FORTH BY THE DEPUTY MINISTER.

5. A MAJOR SIGNIFICANCE OF THE PAPER IS THAT IT WAS WRITTEN

AND APPARENTLY FAIRLY WIDELY CIRCULATED IN ENGLISH AS WELL AS CHINESE. THE GRIEVANCES LISTED ARE NOT NEW ONES, AND MANY OF THEM HAVE BEEN MENTIONED INDIVIDUALLY BY POLITICIANS FROM THE CHINESE BASED PARTIES. THE MEMORANDUM IS GIVEN ADDED IMPORTANCE BY ITS PUBLICATION IN THE "ASIAN WALL STREET JOURNAL". THE DRAFT WE OBTAINED IS MARKED "CONFIDENTIAL--NOT FOR PUBLICATION" AND IT IS LIKELY THAT THE MEMO WAS ONLY INTENDED FOR INTERNAL USE AT LEAST UNTIL THE CHINESE ECONOMIC SEMINAR IS HELD IN APRIL. IT IS INTERESTING THAT THE PAPER HAS APPARENTLY NOT YET BEEN MENTIONED IN THE MALAYSIAN PRESS, EVEN THOUGH THE CHINESE ECONOMIC CONFERENCE HAS BEEN MENTIONED RATHER EXTENSIVELY IN THE CHINESE PAPERS.

6. THERE IS LITTLE DOUBT THAT NO MATTER HOW DISTASTEFUL THE
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CHINESE COMMUNITY FINDS THE ICA (AND BY IMPLICATION THE NEP), AND HOW LOUD THEY PROTEST IT, THE GOM WILL STICK TO ITS BASIC OBJECTIVES OF RESTRUCTURING THE ECONOMY. HOWEVER, SOME PRACTICAL ADJUSTMENTS SEEM CALLED FOR AND ARE LIKELY. EITHER THE GOM WILL INDEED SHOW FLEXIBILITY (AS WE SUSPECT WILL BE THE CASE SO LONG AS DR. MAHATHIR HOLDS THE PORTFOLIO) OR THE CHINESE WILL FIND WAYS TO MANIPULATE THE SYSTEM SO AS TO PROTECT THEIR INTERESTS, WE BELIEVE A LITTLE OF BOTH WILL HAPPEN.
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